

**PUBLIC DISCLOSURE**

**FEBRUARY 16, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**PILGRIM BANK**

**CERT #26590**

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<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area(s).

This document is an evaluation of the CRA performance of **Pilgrim Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area(s), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following factors summarize the Bank's performance:

- The Bank's net loan-to-deposit ratio for the previous twenty quarters is reasonable given the Bank's size, financial condition, and the credit needs of its assessment area.
- A slight majority of the Bank's mortgage loans reportable under the Home Mortgage Disclosure Act (HMDA) were secured by properties located outside of the Bank's assessment area.
- The distribution of credit among different income levels reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.

The response to CRA-related complaints performance criterion was not considered in this evaluation since the Bank has received no CRA-related complaints during the evaluation period.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Pilgrim Bank is a state-chartered mutual bank established in 1916. The Bank is an independent, community bank headquartered in Cohasset Village on South Main Street in Cohasset, Massachusetts.

In addition to its main office, the Bank operates two full-service branches and a mortgage center. One of the branches and the mortgage center are located in an upper-income geography in Cohasset. The second branch is located in a middle-income geography in Marion. This branch opened on April 7, 2008. No other branches have opened and no branches have closed during the evaluation period.

The Bank's office hours are reasonable and comparable with other institutions in the area. The branch lobbies are open 8:00AM to 4:00PM, Monday through Wednesday. All of the branches have extended hours on Thursday and Friday evenings as well as Saturday morning hours. Additionally, the Route 3A Cohasset branch and the Marion branch offer night depository, safe depository, and drive-up teller service. The drive-ups are open similar hours as the lobbies; however, on weekdays, the drive-ups open a half hour earlier than the lobby.

The Bank maintains a 24-hour automated teller machine (ATM) at the main office and each of the branch offices. The main office has a walk-up ATM, the Marion branch has a drive-up ATM, and the Route 3A Cohasset branch has both a walk-up and drive-up ATM. The Bank's ATMs are part of the SUM network, an ATM surcharge-free alliance.

Pilgrim Bank maintains a website at [www.bankpilgrim.com](http://www.bankpilgrim.com). The Bank website provides various personal and business product information as well as product rates. The Bank also offers retail and business online banking allowing customers to view account balances and history, transfer funds between Pilgrim Bank accounts, pay bills, and schedule automatic recurring payments.

The Bank offers a full range of products and services which meet the financial needs of consumers and businesses. Consumer loan product offerings include auto, personal, and education loans as well as home equity loans and lines. The Bank's residential mortgage products include adjustable-rate mortgages, fixed-rate mortgages, first time home buyer programs, jumbo mortgages, construction loans, renovation financing, residential investment property, and vacation homes. Commercial loan product offerings include commercial mortgages, condominium conversions, construction loans, equipment and large vehicle purchases, intermediate and short term loans, land purchases and land development loans, real estate and asset-based lines of credit, permanent financing, and multi-family rehabs.

At December 31, 2009, the Bank's assets totaled \$160 million and total loans represented \$115 million or 71.9 percent of total assets. Since the prior examination, the Bank's asset size increased 28.1 percent while total loans increased comparably at 29.2 percent.

Currently, 1-4 family residential real estate loans represent the largest portion of the Bank's loan portfolio, 69.6 percent, which is a significant decline from the 88.3 percent at the prior examination. Construction, land development, and other land loans account for the second largest portion of total loans at 13.9 percent, which is an increase from the 4.6 percent of the prior examination. Commercial real estate combined with commercial and industrial loans account for the third largest portion of total loans at 12.6 percent, an increase since the prior examination when the total was 3.3 percent. Table 1 displays the breakdown of the Bank's loan portfolio by loan type.

<b>Table 1</b>		
<b>Loan Distribution at December 31, 2009</b>		
<b>Loan Type</b>	<b>Dollar Amount ('000)</b>	<b>Percent of Total Loans</b>
<b>Loans Secured by Real Estate</b>		
<i>1-4 Family Residential</i>		
<i>1st Mortgage</i>	72,737	62.7
<i>2nd Mortgage</i>	904	0.8
<i>Revolving Lines of Credit</i>	7,061	6.1
<i>Construction</i>	16,129	13.9
<i>Commercial</i>	14,580	12.6
<i>Multi-Family (5 or more) Residential</i>	3,960	3.4
<b>Total Real Estate Loans</b>	<b>115,371</b>	<b>99.5</b>
<i>Consumer Loans</i>	552	0.5
<b>Total Loans</b>	<b>115,923</b>	<b>100.0</b>

Source: FFIEC Call Report September 30, 2009

Pilgrim Bank has direct competition from several institutions within the assessment area including Hingham Institution for Savings, Scituate Federal Credit Union, and Rockland Trust as well as representatives from large national banking institutions and mortgage companies.

The Bank was last examined for compliance for the CRA in an examination by the FDIC on January 11, 2005. The last examination for compliance with CRA by the Division was on May 17, 2004. Each of the examinations assigned an overall CRA rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains adequate.

## Description of Assessment Areas

The CRA regulation requires financial institutions to define the assessment area(s) within which its CRA performance will be evaluated. Pilgrim Bank's assessment areas as currently defined meet the technical requirements of the CRA regulation since the areas: (1) consist of one or more political subdivisions, (2) include the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consist of whole census tracts, (4) do not extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) do not reflect illegal discrimination, and (6) do not arbitrarily exclude low- and moderate-income areas.

Pilgrim Bank has defined two assessment areas, which will be referenced in this Public Evaluation as Assessment Area 1 and Assessment Area 2. Both of these assessment areas, which are described below, are part of the Boston-Quincy Metropolitan Division.

Assessment Area 1 is defined as the following five contiguous towns, listed by county:

*Norfolk County:* Cohasset

*Plymouth County:* Hingham, Hull, Norwell, and Scituate

Assessment Area 2 is defined as the following four contiguous towns, listed by county:

*Plymouth County:* Marion, Mattapoisett, Rochester, and West Wareham

### Demographics

#### **Assessment Area 1**

Refer to Table 2 for pertinent demographic information concerning Assessment Area 1.

<b>Table 2</b>					
<b>Assessment Area 1 – Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
<i>Geographies (Census Tracts)</i>	12	0.0	0.0	16.7	83.3
<i>Population by Geography</i>	65,821	0.0	0.0	16.8	83.2
<i>Owner-Occupied Housing by Geography</i>	20,319	0.0	0.0	16.2	83.8
<i>Family Distribution by Income Level</i>	18,043	9.9	12.6	19.5	58.0
<i>Distribution of Low and Moderate Income Families throughout AA Geographies</i>	4,050	0.0	0.0	27.3	72.7
<i>Median Family Income</i>		\$89,288	<i>Median Housing Value</i>		\$290,937
<i>HUD Adjusted Median Family Income (2008)</i>		\$79,500	<i>Unemployment Rate (2000 Census)</i>		1.3%
<i>Households Below Poverty Level</i>		4.5%			

Source: 2000 US Census, 2008 HUD adjusted Median Family Income

According to the 2000 U.S. Census Data, Pilgrim Bank's Assessment Area 1 has a total population of 65,821, of which 2,146 or 3.3 percent are minorities. The assessment area consists of 12 census tracts: 2 (16.7 percent) are designated as middle-income and 10 (83.3 percent) as upper-income. The assessment area does not contain any low- or moderate-income census tracts.

## Assessment Area 2

Refer to Table 3 for pertinent demographic information concerning Assessment Area 2.

<b>Table 3</b>					
<b>Assessment Area 2 – Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
<i>Geographies (Census Tracts)</i>	4	0.0	25.0	75.0	0.0
<i>Population by Geography</i>	21,589	0.0	26.0	74.0	0.0
<i>Owner-Occupied Housing by Geography</i>	6,854	0.0	27.0	73.0	0.0
<i>Family Distribution by Income Level</i>	6,104	18.2	19.3	24.2	38.3
<i>Distribution of Low and Moderate Income Families throughout AA Geographies</i>	2,291	0.0	37.2	62.8	0.0
<i>Median Family Income</i>		\$64,014	<i>Median Housing Value</i>		\$206,021
<i>HUD Adjusted Median Family Income (2008)</i>		\$79,500	<i>Unemployment Rate (2000 Census)</i>		1.7%
<i>Households Below Poverty Level</i>		5.2%			

Source: 2000 US Census, 2008 HUD adjusted Median Family Income

According to the 2000 U.S. Census Data, Pilgrim Bank's Assessment Area 2 has a total population of 21,589, of which 1,574 or 7.3 percent are minorities. The assessment area consists of 4 census tracts including one moderate-income and three middle-income geographies. The assessment area does not contain any low- or upper-income census tracts.

### Unemployment

The U.S. Bureau of Labor Statistics reported that Massachusetts had an unemployment rate of 4.5 percent in 2007 and 5.3 percent in 2008. In 2009, available data shows an increasing and overall higher rate of unemployment than the previous two years: 7.6 percent in first quarter, 8.3 percent in second quarter, and 9.1 percent in third quarter. The final unemployment figures for the local state and area are not yet available as there is a delay from the time the national figures are reported.

Data available for metropolitan areas shows that the unemployment rates in the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA) #14460 are slightly below the statewide rates. The MSA unemployment rates in 2007 and 2008 are 4.1 percent and 4.8 percent, respectively. In 2009, comparable to the statewide figures, available data shows an increasing and overall higher rate of unemployment than the previous two years: 7.3 percent in first quarter, 7.7 percent second quarter, and 8.5 percent in third quarter according to the U.S. Bureau of Labor Statistics.

While the MSA unemployment figures suggest the local MSA area's economy is slightly stronger than that of other areas of Massachusetts, the increasing unemployment rates at both the state and local level are an indicator of a weakening economy in these areas.

### Community Contact

A community contact was conducted with a local non-profit community development organization that creates housing opportunities by educating and assisting first time home buyers to purchase their own homes, developing affordable housing for those in need, and making home rehabilitation loans. The contact stated one of the biggest challenges in the South Shore area is recovering from the record number of foreclosures. In order to improve the housing market, interested buyers need first time home buyer courses and products made available to them.



## **SMALL BANK PERFORMANCE CRITERIA**

### **Scope of Evaluation**

This evaluation was conducted jointly by the Division and FDIC. The evaluation utilized Small Bank procedures, as defined by the CRA. A “small bank” means an institution that, as of December 31 of either of the prior two calendar years, had assets of less than \$274 million. These procedures include five performance criteria (1) loan-to-deposit ratio, (2) assessment area concentration, (3) borrower distribution, (4) geographic distribution, and (5) response to written complaints. The data and applicable timeframes utilized for the criteria are discussed below.

The review and overall rating is based primarily on the first three criteria. Since the assessment areas contain no low-income census tracts and only one moderate-income tract, only minimal consideration was given to the geographic distribution performance criterion. A review of the Division’s and FDIC’s records, as well as the Bank’s Public CRA File did not reveal any complaints relating to the Bank’s CRA performance since the prior evaluation.

While both of the Bank’s assessment areas are reviewed in the analysis, Assessment Area 1 is weighted more heavily than Assessment Area 2 in the ratings. Assessment Area 1 is the primary lending area of the Bank and includes the main branch and an additional branch. The Bank only recently added Assessment Area 2 when the new Marion branch was opened in April 2008. The Bank is working towards establishing its banking presence in the new lending area.

A review of the Bank’s loan portfolio composition indicated its primary lending focus is home mortgage lending. Commercial, consumer, and small farm loans were not considered in the evaluation as each product represents a relatively small portion of the Bank’s loan portfolio.

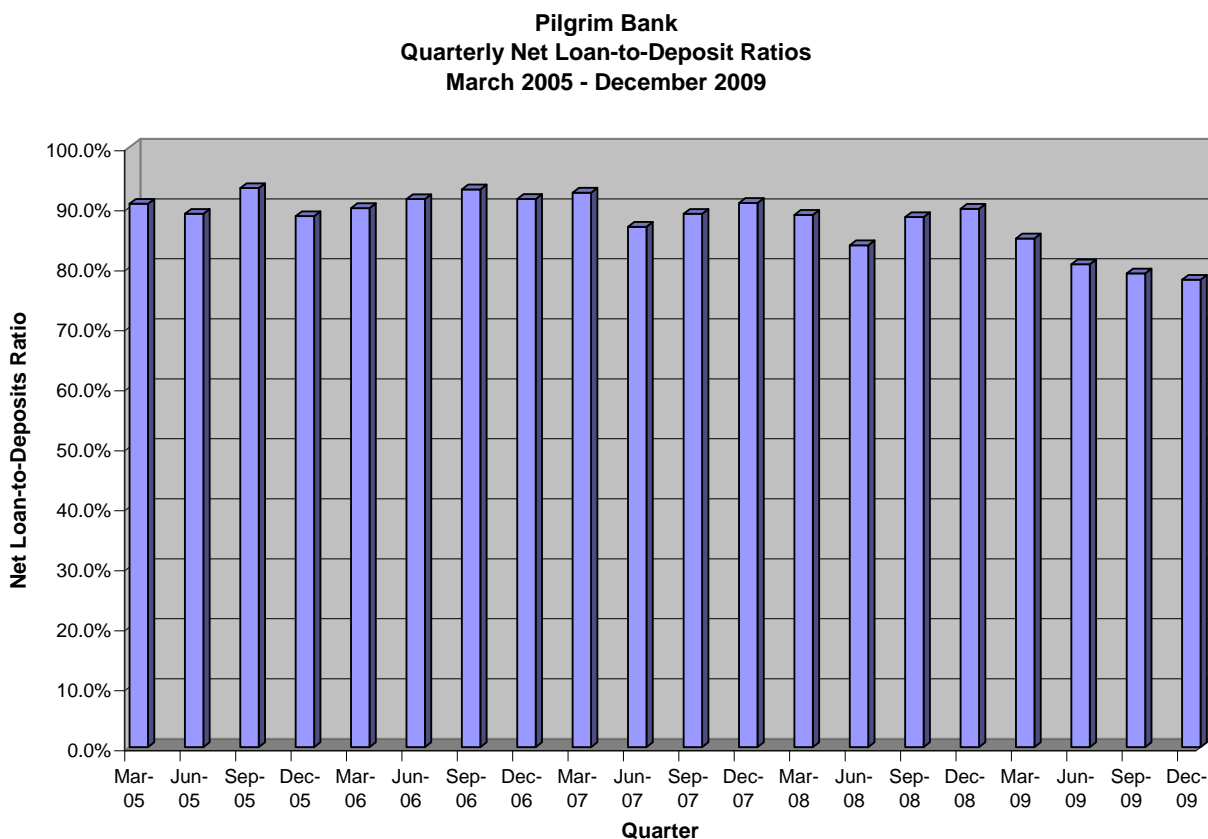
The review of the performance criteria includes analyses of the Bank’s home mortgage lending data. The analyses of the Bank’s home mortgage data is based upon the full years 2008 and 2009.

Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank pursuant to HMDA. The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. The Bank’s lending performance is based primarily on 2008 data, the most recent year for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank’s assessment areas.

## 1. LOAN TO DEPOSIT ANALYSIS

An analysis of Pilgrim Bank's quarterly net loan-to-deposit ratio (LTD) was performed during the examination. The analysis utilized the twenty quarters since the prior examination using the Federal Financial Institutions Examination Council (FFIEC) Call Report data for this institution beginning March 31, 2005, through December 31, 2009. The LTD ratio is used to assess the overall lending activity of the Bank. Overall, the LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.

The twenty quarters reviewed reflect the Bank's average net loan-to-deposit ratio was 87.4 percent. The following graph illustrates the quarterly net loan-to-deposit trends.



Source: FFIEC Call Report Data

As indicated in the above table, Pilgrim Bank's deposit and lending ratios fluctuated slightly during the review period. The Bank's LTD ratio peaked at 92.9 percent in September 2006 and reached a low of 77.9 percent in the most recent quarter, December 2009.

Growth patterns of the loan and deposit portfolios were also analyzed in order to assess the fluctuation in the net loan-to-deposit ratios. From March 2005 to December 2009, net loans grew by 21.5 percent, while deposits grew at a faster rate of 41.2 percent. This difference resulted in an overall decline in the net loan-to-deposit ratio.

The recent declining trend in 2009, mentioned above, resulted from an influx in the total deposits over the recent quarters while the net loans have steadily declined as shown in the following chart. It should be noted, however, that the declining loan portfolio is due, in part, to the Bank selling loans to the Mortgage Partnership Finance Program, a subsidiary of the Federal Home Loan Bank Boston. Selling loans not only permits Pilgrim Bank to better manage interest rate risk, but it also allows the Bank to originate a larger volume of loans than would otherwise be possible.

For comparison purposes, the Bank's average LTD ratio was compared against the current LTD ratios of similarly situated institutions (similar asset size and loan portfolio composition). Refer to Table 3 below for the peer group LTD ratio comparison.

<b>Table 4</b>			
<b>Average Net Loan-to-Deposit Comparison at 12/31/2009</b>			
<b>Bank</b>	<b>City/Town</b>	<b>Net Loans to Deposits</b>	<b>Total Assets ('000)</b>
S Bank	Weymouth	106.4%	214,201
South Coastal Bank	Rockland	105.2%	256,480
Weymouth Bank	Weymouth	87.9%	175,589
<i>Pilgrim Bank</i>	<i>Cohasset</i>	<i>77.9%</i>	<i>159,878</i>
The Braintree Co-operative Bank	Braintree	67.0%	219,431

Source: FFIEC Call Report Data

Based on the above information and the Bank's capacity to lend, the capacity of other similarly-situated banks, the types of loans available at the Bank, and the lending opportunities available, the Bank's loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREAS**

Overall, a slight majority of home mortgage loans were made outside the Bank's assessment area. While both the number and dollar volume of the Bank's loans were reviewed, the number of originations is weighed more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served. This performance criterion evaluates the appropriateness of the percentage of the Bank's lending which occurs within the Bank's combined Assessment Area 1 and Assessment Area 2.

Table 5 illustrates the institution's record of home mortgage lending inside and outside the assessment area in 2008 and 2009. Overall, a slight majority of loans were made outside the Bank's assessment area. Table 5 indicates the Bank originated 102 home mortgage loans totaling \$39 million during the review period. Of these, 49.0 percent by number and 45.0 percent by dollar amount were originated within the Bank's assessment area.

<b>Table 5</b>										
<b><i>Distribution of HMDA Loans Inside and Outside of the Assessment Area</i></b>										
<b>Year</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>2008</b>										
<b>Home Purchase</b>	4	19.0	17	81.0	21	3,812	28.3	9,644	71.7	13,456
<b>Refinance</b>	18	66.7	9	33.3	27	5,655	68.9	2,552	31.1	8,207
<b>Home Improvement</b>	8	100.0	0	0.0	8	1,385	100.0	0	0.0	1,385
<b>Total</b>	30	53.6	26	46.4	56	10,852	47.1	12,196	52.9	23,048
<b>2009</b>										
<b>Home Purchase</b>	2	11.1	16	88.9	18	2,641	40.4	3,892	59.6	6,533
<b>Refinance</b>	13	61.9	8	38.1	21	2,639	36.3	4,628	63.7	7,267
<b>Home Improvement</b>	5	71.4	2	28.6	7	1,566	63.9	885	36.1	2,451
<b>Total</b>	20	43.5	26	56.5	46	6,846	42.1	9,405	57.9	16,251
<b>TOTAL HOME LOANS</b>	50	49.0	52	51.0	102	17,698	45.0	21,601	55.0	39,299

SOURCE: 2008 & 2009 HMDA LARs

Since a majority of the Bank's loans were not originated inside the assessment areas, its performance pursuant to this criterion does not meet the standards for satisfactory performance. This less than satisfactory performance for this criterion did not reduce the overall rating to less than satisfactory for the following reasons: (a) the Bank's assessment area lending during 2008 accounted for a majority of its lending; (b) during 2009, there was reduced overall lending activity due to a difficult national and regional economic climate that could have produced an anomalous lending pattern for that year; and (c) the margin by which the Bank missed originating a majority of its loans in the assessment area was too small to yield a meaningful conclusion or result in a decline in the overall rating.

### **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

Overall, the distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among customers of different income levels and business customers of different sizes.

## Assessment Area 1

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels. The following table illustrates the distribution of the Bank's home mortgage loans by borrower income level for 2008 and 2009. For comparison purposes, the table includes the percentage of total families by income level and the aggregate lending data.

<b>Table 6</b>								
<b><i>Distribution of HMDA Loans by Borrower Income</i></b>								
<b><i>Median Family Income Level</i></b>	<b><i>% Families</i></b>	<b><i>Aggregate Lending Data (% of #)</i></b>	<b><i>2008</i></b>		<b><i>2009</i></b>		<b><i>Total</i></b>	
			<b><i>2008</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>
<b><i>Low</i></b>	9.9	1.7	1	3.4	1	5.0	2	4.1
<b><i>Moderate</i></b>	12.6	6.3	4	13.8	4	20.0	8	16.3
<b><i>Middle</i></b>	19.5	16.1	4	13.8	4	20.0	8	16.3
<b><i>Upper</i></b>	58.0	58.1	19	65.5	10	50.0	29	59.2
<b><i>Income NA</i></b>	0.0	17.8	1	3.5	1	5.0	2	4.1
<b><i>Total</i></b>	100.0	100.0	29	100.0	20	100.0	49	100.0

Source: 2008 & 2009 HMDA Data, 2000 Census

In 2008, the Bank's lending to low-income borrowers was 3.4 percent, higher than the aggregate (1.7 percent) but lower than the low-income families (9.9 percent). It is not expected that the Bank would match the percentage of low-income families, as a large portion of these families would not qualify for home mortgage loans, especially considering that almost half (4.5 percent of total families) of low-income families have incomes below the poverty level. In 2009, the Bank's percentage of lending to low-income borrowers increased to 5.0 percent.

In 2008, the Bank's lending to moderate-income borrowers was 13.8 percent which is double that of the aggregate (6.3 percent) and slightly higher than the percentage of moderate-income families (12.6 percent). The Bank's lending to moderate-income borrowers increased in 2009 to 20.0 percent.

## Assessment Area 2

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels resulting from the Bank's limited lending activity in Assessment Area 2. The Bank opened the Marion branch in April 2008 and has not yet established a lending presence in the surrounding communities.

In 2008 and 2009, the Bank did not originate any home mortgage loans to low- or moderate-income borrowers. In 2008, the Bank originated only one home mortgage loan, a home improvement loan to a borrower of middle-income. The lending activity is poor in comparison to the aggregate market lending of 2.7 percent to low-income borrowers and 9.5 percent to moderate-income borrowers. In 2009, the Bank did not originate any home mortgage loans in Assessment Area 2.

Overall, given the demographics of the Bank's assessment areas, the distribution of credit reflects a reasonable dispersion among customers of different income levels. Therefore, the Bank meets the standards for satisfactory performance for this criterion.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment areas. The primary focus of this analysis is to assess the Bank's loan distribution in its assessment areas, with emphasis placed on lending in low- and moderate-income census tracts.

Assessment Area 1 does not contain any low- or moderate-income geographies and thus a complete review of the criterion is not applicable in the area. Assessment Area 2 has one moderate-income census tract; however, there is extremely limited lending in the area, a total of one home mortgage loan in 2008 and no home mortgage originations in 2009. As previously noted, the Bank only recently entered this assessment area and has not had sufficient time to establish a lending presence. The efforts to penetrate this new area have been hampered by poor regional economic conditions.

Thus, the geographic distribution is considered adequate throughout the assessment areas; however, this criterion has negligible impact on the overall performance rating of the Bank.

#### **5. REVIEW OF COMPLAINTS**

A review of the public comment file showed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The Bank's compliance with fair lending regulations was reviewed and a violation of the Equal Credit Opportunity Act and the implementing regulation, Regulation B, was identified. The effect of this violation on the assessment area is considered to be limited, and management committed to take appropriate corrective action. Additionally, the Bank's compliance with various federal laws and regulations revealed an illegal credit practice violation related to the advertising of a credit product. Management committed to take appropriate corrective action.

## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

Pilgrim Bank's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3 101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

Pilgrim Bank takes a pro-active approach to fair lending. The Bank has had a fair lending audit performed by an outside agency during the examination period. Bank staff is routinely provided fair lending training commensurate with their job description.

#### **MINORITY APPLICATION FLOW**

Pilgrim Bank's LARs for 2008 and 2009 were reviewed to determine if the application flow from the different racial and ethnic groups within the assessment area was reflective of the area's demographics. According to the 2000 US Census, the Bank's assessment areas consist of a total of 15 census tracts, 12 tracts in Assessment Area 1 and 3 tracts in Assessment Area 2. There are no low-income tracts in either assessment area.

Assessment Area 1 has a population of 65,821 persons. The total minority population is 3.3 percent with the largest minority groups being Asian at 0.8 percent and Black at 0.4 percent. The Hispanic population accounts for 0.8 percent of the total population within Assessment Area 1.

Assessment Area 2 has a population of 15,972 persons. The total minority population is 5.3 percent with the largest minority groups being Black at 0.9 percent and Asian at 0.5 percent. The Hispanic population accounts for 0.5 percent of the total population within Assessment Area 2.

The Bank received a total of 91 HMDA-reportable loan applications from within the assessment areas in 2008 and 2009. The comparison of this data assists in deriving reasonable expectations, for the rate of applications the Bank received from minority applicants.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent years that data was available, the years 2008 and 2009. Comparison of the data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. The Bank received no applications from minority applicants in 2008 and only 1 application in 2009's. The overall low level of lending results in a minor change resulting in a significant effect on the percentage of total lending for the Bank. One application over two years results in a 1.8 percentage for total applications from minorities which is consistent with the aggregate at 1.7 percent.



## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 48 South Main Street Cohasset, MA 02025

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.